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Taiwan

Poultry and Products

Annual

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Report Highlights:

Taiwan already consumes a large quantity of poultry per capita on an annual basis (est. 32.5kg/capita), with moderate growth from year to year. However, the scheduled elimination of WTO-permitted import quotas in 2005 will abolish tariff rate quotas restrictions on imported chicken meat and offal that have kept imports of these items to well under 10% of annual consumption. Analysts anticipate a 50% rise by 2006 in overall poultry imports over 2003 levels with strong continued growth afterward. The poultry industry in Taiwan is in the process of restructuring to prepare for these changes, largely by shifting away from broiler toward other chicken varieties. High pork prices continue to support relatively high turkey meat imports for use as filler in sausages and other pork-based applications.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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EXECUTIVE SUMMARY

Poultry meat and eggs are pillars of the traditional Chinese diet. From *kungpao* chicken, Peking duck, and stir-fries to Cantonese-style air dried duck, "1,000 year-old" eggs, and deep-fried chicken nuggets, Taiwan today consumes approximately 740 thousand tons of poultry meat (about 87% of this chicken) and 8.8 billion eggs annually. This translates into around 32.5 kg of poultry and 380 eggs per capita. Local producers currently supply approximately 95% of this market.

International supplier access to the most lucrative segment of this market - chicken meat – has, through this year, remained tightly controlled by tariff rate quotas (TRQs) allowed to Taiwan as part of its World Trade Organization (WTO) accession agreement. Annual quota volumes have been nearly fully utilized each year.

TRQ controls will be eliminated on 1 January 2005 and replaced by ordinary tariffs. The market will be open to all countries that have sanitary clearance to export poultry products to Taiwan. As a result of these changes, imports are expected to increase sharply. Rising imports are expected to result in the use of Special Safeguard (SSG) duty surcharges on chicken meat and, possibly, certain offal imports after the 2005 market liberalization. An SSG assessment would add an estimated 6.33% to normal tariffs, resulting in an effective tariff of about 26.33% for chicken meat.

The United States is Taiwan's predominant supplier of poultry, and one of only six countries with the sanitary approval necessary to export to Taiwan. US exporters are expected to retain a dominant position through the foreseeable future.

Taiwan currently exports only limited quantities of poultry products, mostly fresh/frozen meat and prepared chicken and duck eggs, to customers in the region. Taiwan broiler producers, in particular, are hoping to see a growing market for processed broiler breast (white) meat in western markets, particularly the United States. USDA's Food Safety Inspection Service is in the midst of the fairly lengthy review process to establish the equivalency of Taiwan's poultry slaughter and processing inspection system.

Despite relative stable year-to-year demand for poultry, the outlook for imports is very positive in the critical category of chicken meat. With a cost structure that is stacked against local birds (even considering tariffs and likely SSG assessments), imported frozen chicken meat, particularly leg quarters and drumsticks, is expected to continue taking market share away from local producers through the foreseeable future. By 2006, imports of frozen chicken drumsticks and leg quarters are currently forecast to grow to around 80mt, or 250% over 2003 levels. This should give overseas suppliers around 30% of the broiler market in five years. Given continued favorable pricing for turkey, similar opportunities exist for exports of frozen US turkey meat.

POULTRY

Production

Table 1: Poultry Production, Supply, and Demand

Country Commodity	Taiwan Poultry, Meat, Total						UOM
	2003 USDA Official [Old]	Revised Post Estimate [New]	2004 USDA Official [Old]	Estimate Post Estimate [New]	2005 USDA Official [Old]	Forecast Post Estimate [New]	
Market Year Begin	01/2003		01/2004		01/2005		MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	0 (MIL HEAD)
Slaughter (Reference)	0	0	0	0	0	0	0 (MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	0 (1000 MT)
Production	670	685	675	675	0	670	(1000 MT)
Whole, Imports	0	0.3	0.3	0.5	0	0.7	(1000 MT)
Parts, Imports	47	49	67	67	0	75	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	47	49.3	67.3	67.5	0	75.7	(1000 MT)
TOTAL SUPPLY	717	734.3	742.3	742.5	0	745.7	(1000 MT)
Whole, Exports	0	0	0	0	0	0	(1000 MT)
Parts, Exports	4	4.1	5	5	0	5	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	4	4.1	5	5	0	5	(1000 MT)
Human Consumption	713	730.2	737.3	737.5	0	740.7	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	713	730.2	737.3	737.5	0	740.7	(1000 MT)
TOTAL Use	717	734.3	742.3	742.5	0	745.7	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	717	734.3	742.3	742.5	0	745.7	(1000 MT)
Calendar Yr. Imp. from U.S.	0	47	0	61	0	70	(1000 MT)

Poultry meat production in Taiwan is slowly contracting as local producers continue to consolidate, leading to a shrinking number of domestic players. Domestic production is expected to continue contracting through the next several years. At the same time, demand remains stagnant because of the lackluster economic climate and highly competitive prices for alternative protein sources. Imports are not yet a major market driver because of quota restrictions, but will likely become one after 2005.

Chickens (both broiler and various non-broiler (*tuji*) varieties) dominate the poultry industry in Taiwan - accounting for around 80% of all poultry raised. Ducks follow a distant second at around 13%, with geese, turkeys, and game birds accounting for the remainder. During 2004, 385 million chickens will likely be channeled into meat & offal production and an average 34 million head will be engaged as layers. In a similar ratio, Taiwan will slaughter 32 million ducks this year while employing 3 million in egg production. Figures are expected to change significantly in 2005. Eggs of poultry other than chickens and ducks are not produced on a commercial scale.

Commitments made by Taiwan during WTO accession negotiations to open its chicken meat and poultry offal markets to international competition at the start of 2005 imply that domestic poultry producers - for so many decades insulated from global competition - must

adapt to the new competitive regime or concede to foreign competition a significant chunk of current sales. In recent years, this has resulted in a gradual shift away from broiler production (falling around a 3% drop per year) and toward increasing production of various *tuji* varieties (an increase of around a 2% per year). This trend is expected to continue or even accelerate in the foreseeable future. While resulting in a minor year-to-year reduction in overall poultry production, these effects over time will significantly change the make-up of the domestic broiler industry.

Attempting to help prepare the poultry industry for increasing competition, Taiwan authorities are implementing measures to 1) consolidate production, 2) modernize production and marketing, and 3) create consumer loyalty to local poultry products.

Production Consolidation: After offering to pay farmers to move away from chicken rearing between 1998 and 1999, the Council of Agriculture (COA) has since largely allowed market forces to determine how many farms remain in operation.

Modernization: Through the COA and its several key research affiliates, Taiwan has ongoing programs that target cooperative extension services for poultry farmers and processors. COA also conducts research into breed improvement and consumer product development.

Customer Loyalty Programs: Acknowledging that the broiler segment will face the brunt of coming foreign competition, authorities have been targeting other poultry categories (in particular, eggs and local chicken varieties [i.e., *tuji*]) with technical and marketing assistance to help these segments grow in value and realize gains in production efficiency. One component of this assistance is the introduction of certification marks "T-U-G" for local chicken varieties and "EGG" for locally-raised eggs. The hope is that, over time, consumer awareness of local products and demand for "unique" Taiwan poultry varieties (while as yet ill-defined as commercial breeds, these include varieties such as *tuji*, *wuguji*, and *fangshanji*)¹ will result in increased demand.

Consumption

The average Taiwanese consumes around 75 kg of meat annually. Drops in consumption, due to SARS (2Q 2003) and a limited outbreak of avian influenza during 1Q 2004 have only had short-term impact (see the Feb. 2004 ATO Taipei report: [Avian Influenza - Initial Market Impact Assessment](#)). After the immediate crises end, consumption has always recovered to normal levels. Poultry is a staple of the Chinese diet and, as consumers begin choosing lower fat meals, chicken may, over the longer term, gain ground against other meat proteins. Lower fat content has not yet, however, become a significant factor in meat purchasing decisions by Taiwan consumers. At present "diversity" is driving meat consumption and is leading to lower overall consumption of both pork and chicken in favor of less traditional meats such as beef and seafood.

¹ For purposes of this report and unless otherwise noted, all local varieties are categorized under the generic name "*tuji*".

Trade

Taiwan imposes a tariff rate quota regime on imported chicken meat and certain offals. This system will remain until the end of this year (2004), at which time a liberalized, tariff-based import regime will take its place. Before 2005, imports will be restricted to a less than 8% share of total consumption (based on current market demand). In 2005 and beyond, Taiwan's WTO Accession Agreement permits Special Safeguard (SSG) tariffs on imports of certain products. Price-based SSG can be imposed when market prices fall below a price set during a pre-accession base period. Quantity-based SSG are imposed when import volumes exceed certain "trigger" levels. In terms of poultry products, SSG protection is to be allowed for Chicken Legs and Wings and Poultry Offals. It is anticipated that Taiwan authorities will be in a position to implement the additional SSG tariffs on products in these two categories once quota volume restrictions are lifted in January 2005. Please refer to the "Chicken, Trade Policy" section below for additional details regarding the SSG.

US exporters are expected to dominate the import market through the foreseeable future. Canada and Australia are currently the only other major producing nations that have earned sanitary clearance to export to Taiwan (neither currently do so in significant quantity). No other country is reported to be actively pursuing sanitary approval for poultry products at this time. Exports from China in particular are not expected in the foreseeable future due both to sanitary and political issues.

Poultry offal, an important product that became fully liberalized upon Taiwan's WTO membership, represents a major source of new opportunity for exporters from countries with sanitary clearance. Other products that were open for import even prior to WTO entry (e.g., eggs, game bird meat, goose/duck meat) are expected to see little additional import interest due to factors including domestic oversupply, preference for fresh (as opposed to frozen) meat, and well-established distribution channels.

At the end of 2003, Taiwan lifted longstanding bans on poultry imports from California, Nevada, Arizona, and Texas due to previous cases in those states of Exotic Newcastle Disease (END) and from Pennsylvania due to a 1985 outbreak of Highly Pathogenic Avian Influenza. However, poultry imports from Texas were again banned from late February 2004 due to the discovery in that state of highly pathogenic avian influenza (HPAI). At present, Texas is the only US state from which poultry imports are controlled.

Tables 2 & 3. Poultry Import and Export Volumes (in 1,000 metric tons)

Import Trade Matrix

Country	Taiwan	
Commodity	Poultry, Meat, Total	
Time Period	2002-2003	Units: mt
Imports for:	2002	2003
U.S.	29	48.3
Others		Others
Canada	1.3	1
Total for Others	1.3	1
Others not Listed	0.5	0.1
Grand Total	30.8	49.4

Export Trade Matrix

Country	Taiwan	
Commodity	Poultry, Meat, Total	
Time Period	2002-2003	Units: mt
Exports for:	2002	2003
U.S.	0	0
Others		Others
Japan	4.1	3.5
Hong Kong	0.4	0.4
China	0.5	0.2
Total for Others	5	4.1
Others not Listed	0.1	0
Grand Total	5.1	4.1

Trade Policy

Current Tariff Rates for various poultry products are noted in the table below. Note that the rate for chicken meat was reduced on 1 January 2004 from 25%.

Table 4. Current Tariff Rates for Poultry Meat and Products

Product	Current	WTO Final (date of final implementation in parenthesis)
Chicken Meat	20% (1)	20% (2) (effective Jan. 2004)
Duck Meat	35%	35%
Goose Meat	25%	25%
Turkey Meat	10%	10%
Egg Products	30%	30%
Poultry Offal	25-40% (1)	25-40% (2) (Jan. 2004)
(1) Tariff rate noted is applied to in-quota imports of quota-regulated offal items (guts, bladders, stomachs). Imports made outside quota restrictions will be subject to very high tariff rates. (2) This final tariff quota rate will be applied in 2004. All quota restrictions will end at the start of 2005.		

The Impact of WTO Membership

Taiwan's entry into the WTO has had several effects on poultry import policy, including *re-classification of presently banned items* and *expanded quota access eligibility*. At the end of 2004, all poultry-related quotas will expire and any quantity may be imported.

Reclassification of Banned Items: Taiwan ended its long-running ban on certain offal items, including chicken feet & necks and all poultry livers & hearts. In its stead, Customs now assesses standard tariffs of 25% for chicken livers, hearts, and feet, 30~45% for (non-chicken) poultry livers, and 40% for chicken necks and goose, duck, & turkey hearts. Other poultry offal (including guts, bladders, stomachs, etc.) have also come off the banned list, but are subject to a quota and 25% tariff rate.

Quota Access: Taiwan ended the previous practice of actively allocating quotas (i.e., granting a recipient a quota allocation without first confirming recipient intent to import under quota) in favor of a "first come, first served" system under which any importer may apply to import within quota limits. The "first come, first served" system essentially is a lottery for quota rights for minimum 25 ton quota certificates, due to the large number of applicants. All initial quota purchase contracts should be signed prior to 1 September of the current year with delivery taken before 31 December. Quota volumes not contracted by 1 September will be reallocated to other importers with delivery also required by year's end. This system helps to ensure that quota volumes are fully available for use for each year.

Taiwan opened an initial quota volume of 19,163 mt for chicken meat in 2002 (3.2% of current meat consumption). The quota in 2004 is 45,990 mt (7.3% of current meat

consumption). At the beginning of 2005, the quota will be eliminated and replaced by a tariff rate of 20%. The poultry offal (guts, bladders, stomachs) quota set an initial ceiling of 1,836 mt for 2002, 2,754 mt in 2003, and a final 3,674 mt in 2004. Any quantity of quota-controlled product imported above set quota limits is permitted, but subject to exorbitant tariffs.

Other poultry products presently permitted without quota restriction into Taiwan, including eggs/egg products, prepared poultry products, and non-chicken poultry meat, enjoy lower tariffs following WTO accession, but have yet to see increased trade volume due to competitive local supply (e.g., duck meat and prepared egg products) or freshness requirements that are difficult for overseas suppliers to meet (e.g., fresh eggs).

CHICKEN

Production

Table 5. Chicken Meat Production, Supply, and Demand (in 1,000 mt)

PSD Table							
Country Commodity	Taiwan						UOM
	Poultry, Meat, Broiler						
					(1000 MT)	(MIL HEAD)	
	2003	Revised	2004	Estimate	2005	Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin	01/2003		01/2004		01/2005		MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	0 (MIL HEAD)
Slaughter (Reference)	0	0	0	0	0	0	0 (MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	0 (1000 MT)
Production	605	597	590	586	0	580	(1000 MT)
Whole, Imports	0	0	0	0	0	0	0 (1000 MT)
Parts, Imports	33	33	46	47	0	60	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	0 (1000 MT)
Other Imports	0	0	0	0	0	0	0 (1000 MT)
TOTAL Imports	33	33	46	47	0	60	(1000 MT)
TOTAL SUPPLY	638	630	636	633	0	640	(1000 MT)
Whole, Exports	0	0	0	0	0	0	0 (1000 MT)
Parts, Exports	1	1	1	0.9	0	1	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	0 (1000 MT)
Other Exports	0	0	0	0	0	0	0 (1000 MT)
TOTAL Exports	1	1	1	0.9	0	1	(1000 MT)
Human Consumption	637	629	635	632.1	0	639	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	0 (1000 MT)
Total Dom. Consumption	637	629	635	632.1	0	639	(1000 MT)
TOTAL Use	638	630	636	633	0	640	(1000 MT)
Ending Stocks	0	0	0	0	0	0	0 (1000 MT)
TOTAL DISTRIBUTION	638	630	636	633	0	640	(1000 MT)
Calendar Yr. Imp. from U.S.	26	31	0	43	0	55	(1000 MT)

Taiwan's chicken production falls into two categories, namely US-style broilers and native / crossbred birds. The latter include native chicken breeds as well as chickens resulting from crossbreeding native roosters with broiler hens. While different names are used to identify the 3 ~ 4 major native / crossbred categories sold in market (including *tuji*, *wuguji*, and

fangshanji) , the generic term "*tuji*" is used in this report to denote all native & crossbred categories, unless otherwise noted.

Taiwan produced 597,000 mt of chicken meat in 2003, with 1.8% and 1.0% decreases expected for 2004 and 2005, respectively. A continued focus on consolidation in the industry, with larger producers buying out smaller ones will continue through the coming several years. This is due to continued predominance of small-scale farmers who continue to produce chickens in the same volumes despite low prices and demand.

The current production ratio -- 45% broiler meat & offal to 55% *tuji* meat & offal -- can be expected to continue a gradual trend in favor of *tuji*, with the ratio balancing out at around 40 / 60 at total production levels of 630,000 mt in 2005, when Taiwan's WTO agreement mandates the end of poultry import quotas.

Government statistics report that just over 80% of broilers are slaughtered and processed in modern, sanitary facilities. Only 6% of *tuji* are similarly handled. The remainder are processed either in small, low-tech processing plants or killed & dressed in the many traditional wet markets. Government and industry-sponsored efforts to handle *tuji* in automated processing environments have been dogged by many problems, not least of which has been the lack of uniformity among *tuji*, even within species.

Even more so than the poultry industry in general, chicken farmers and processors must become efficient producers within a short span of several years, or accept a greatly reduced market share in the face of foreign competition. The government, directly and through industry associations, is supporting activities to advance industry consolidation / cooperation, product development, technical improvement, and consumer marketing efforts. The largest farm currently maintains a capacity of 210,000 head, with broader industry measures showing that better than 90% of broiler farms still operate on a scale of 20,000 head or less.

Industry experts note that the relatively small scale and protected nature of Taiwan's poultry industry has saddled local producers with high relative costs of production. A survey run during 2000 estimates the average investment (including depreciation costs) required to raise 100 kg worth of farm gate-ready broilers to be NT\$3,216 (approximately US\$93). Feed-related expenses comprise the bulk (60%) of this total. In 2000, profits after taxes and expenses for the Taiwan broiler farmer averaged a net loss of NT\$23 (US\$0.67) per 100 kg. On paper, all but the largest poultry farms are operating with a thin or negative balance sheet.

Table 6. Farm Gate Prices for Broilers

Prices Table			
Country	Taiwan		
Commodity	Poultry, Meat, Broiler		
Prices in	NT dollars	per uom	kg.
Year	2003	2004	% Change
Jan	30.28	31.79	5%
Feb	29.18	31.53	8%
Mar	30.99	31.49	2%
Apr	31.99	32.9	3%
May	29.47	33.39	13%
Jun	26.97	32.96	22%
Jul	28.74	35.26	23%
Aug	31.26		
Sep	31.47		
Oct	30.84		
Nov	29.89		
Dec	30.45		
Exchange Rate	33.8	Local Currency/US \$	

UNCLASSIFIED

USDA Foreign Agricultural Service

Consumption

The last decade has witnessed steady growth in market demand for US-style broiler meat. In the home, breast and leg meat are heavily used in stir-fry dishes. Nearly all fast food chain restaurants, international and local, offer batter fried chicken breasts & drumsticks and processed chicken burgers. Spicy chicken wings, served with Western-style sauces, are staple menu fare at mid-range Western chain restaurants such as TGI Fridays & Dan Ryan's and are offered by nearly all pizza franchises as a popular side dish. Turkey wings, smoked and spiced locally to Chinese tastes, are hot sellers at grocery stores and hypermarkets. The flame-cooked chicken leg quarter with rice & veggies is (along with the pork chop) one of the two most popular lunch box entrees in Taiwan - accounting for more than 30% of all lunch box sales.

Offal consumption is expected to be little changed over the coming several years. Offal is consumed in greatest quantities by the street vendor food service segment -- which is less impacted by general economic conditions than other segments, such as sit-down restaurants and hotels. With domestic prices for offal significantly higher than in other markets, attractive sales opportunities for US firms exist now that this once-protected market is open to competition. However, there is some question as to whether the market can absorb the full quantity of the poultry offal TRQ, especially now that chicken liver and heart imports are liberalized.

Trade Policy

Taiwan requires that chicken meat and products enter Taiwan only from countries certified free of Highly Pathogenic Avian Influenza (HPAI) and Newcastle Disease (ND). Currently, Taiwan has certified the United States, Canada, Australia, New Zealand, and Sweden as free of these two diseases.

Taiwan plans to impose Special Safeguard (SSG) tariffs on chicken meat and offal products brought into Taiwan out-of-quota, based on the price and volume "triggers" noted in the following table.

SSG Triggers

Product Item	SSG implemented if volume exceeds:	SSG implemented if market price falls below:
Chicken Meat: Legs and Wings	23,953 mt	NT\$30,000 /mt
Chicken Meat: Other Cuts	included under above limit	NT\$42,000 / mt
Poultry Offal*	2,295 mt	base price yet to be established

* Note: SSG will not apply to imports of poultry livers or of chicken hearts, feet, or necks.

The term "out of quota" will apply to all imports of formerly quota-restricted items once quota restrictions are eliminated in January 2005. In 2005, the SSG, if triggered, will likely increase the duty on chicken meat to 26.33% (as opposed to the 20% "normal" duty). The duty for offal will be similarly affected.

Imports & Exports

As of June 2004, Taiwan importers had cleared 71% (32,662 mt) of the 2004 chicken meat quota. Because of market preference, nearly all of the import volume (94.5%) was dark meat (leg quarters), frozen (HS02071411002). This situation is expected to continue through the foreseeable future.

Table 7 & 8. Taiwan's Chicken Meat Imports and Exports

Import Trade Matrix				Export Trade Matrix			
Country	Taiwan			Country	Taiwan		
Commodity	Poultry, Meat, Broiler			Commodity	Poultry, Meat, Broiler		
Time Period	2002-2003	Units:	mt	Time Period	2002-2003	Units:	mt
Imports for:	2002		2003	Exports for:	2002		2003
U.S.	18.3	U.S.	32	U.S.	0	U.S.	0
Others		Others		Others		Others	
Canada	1.8		0.9	China	0.5		0.2
Total for Others	1.8		0.9	Japan	0.3		0.3
Others not Listed				Hong Kong	0.3		0.4
Grand Total	20.1		32.9	Total for Others	1.1		0.9
				Others not Listed	0		0
				Grand Total	1.1		0.9

Marketing

As with most food products raised in Taiwan, there is an undercurrent of concern regarding the quality of local chicken among consumers. With expanding quota volumes and the eventual lifting of volume restrictions, US suppliers may benefit significantly by conducting promotion work which underscores the healthful conditions under which US chickens are reared, the emphasis on production and processing quality control at US facilities, and trust in US brand or country-of-origin labels.

In recent years, the COA established a quality certification logo for *tuji* to heighten its quality image and encourage increased consumption. The "T-U-G" label certifies that chicken was processed in a facility that uses modern, standardized processing techniques. The myriad obstacles to processing standardization in the *tuji* segment has held the volume of such to between 8% and 10% of *tuji* birds processed. Most *tuji* sold in supermarkets now bear this "T-U-G" logo. The largest retail outlet for *tuji*, the traditional market, is barred from participating in the "T-U-G" system as birds are slaughtered at time of purchase.

A Note About Tuji: Chinese consumers view native / crossbred chickens (*tuji*) as a meat product "similar to, but distinct from" broiler chickens. *Tuji* is used in many very traditional Chinese dishes (examples include sesame oil chicken, chicken soup [where meat, skin, and bones are simmered together with traditional herbs], and chicken cold plate) for which broiler meat is not an acceptable substitute. Similarly, tougher meat and lack of sizing standards make *tuji* unfit for most broiler applications.

Therefore, while production and marketing trends for *tuji* should be of interest to US broiler exporters, particularly from the context of how many broiler producers are heeding

government calls to switch to *tuji* production, these two segments of the chicken meat market operate with significant independence from each other.

TURKEY

Production

Table 9. Production, Supply, and Demand Table for Turkey Meat (in 1,000 mt)

PSD Table							
Country Commodity	Taiwan		Poultry, Meat, Turkey		(1000 MT)(MIL HEAD)		UOM
	2003	Revised	2004	Estimate	2005	Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	0 (MIL HEAD)
Slaughter (Reference)	0	0	0	0	0	0	0 (MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	0 (1000 MT)
Production	4	4	4	4	0	4	4 (1000 MT)
Whole, Imports	0	0.1	0	0.1	0	0.1	0.1 (1000 MT)
Parts, Imports	16	16	16	16	0	18	18 (1000 MT)
Intra EC Imports	0	0	0	0	0	0	0 (1000 MT)
Other Imports	0	0	0	0	0	0	0 (1000 MT)
TOTAL Imports	16	16.1	16	16.1	0	18.1	18.1 (1000 MT)
TOTAL SUPPLY	20	20.1	20	20.1	0	22.1	22.1 (1000 MT)
Whole, Exports	0	0	0	0	0	0	0 (1000 MT)
Parts, Exports	0	0	0	0	0	0	0 (1000 MT)
Intra EC Exports	0	0	0	0	0	0	0 (1000 MT)
Other Exports	0	0	0	0	0	0	0 (1000 MT)
TOTAL Exports	0	0	0	0	0	0	0 (1000 MT)
Human Consumption	20	20.1	20	20.1	0	22.1	22.1 (1000 MT)
Other Use, Losses	0	0	0	0	0	0	0 (1000 MT)
Total Dom. Consumption	20	20.1	20	20.1	0	22.1	22.1 (1000 MT)
TOTAL Use	20	20.1	20	20.1	0	22.1	22.1 (1000 MT)
Ending Stocks	0	0	0	0	0	0	0 (1000 MT)
TOTAL DISTRIBUTION	20	20.1	20	20.1	0	22.1	22.1 (1000 MT)
Calendar Yr. Imp. from U.S.	16	16	16	16	0	18	18 (1000 MT)

Turkey production in Taiwan is largely channeled into foodservice dishes (either advertised as turkey or covertly as chicken). A small volume (10~30%) is channeled into other applications such as pork substitute in processed foods and street vendor cooked-to-order barbecued wings / tails. Turkey production is expected to hold steady through the coming several years.

Consumption

While domestic turkeys have principally been channeled into turkey fried rice and fresh food service channels, imported turkeys and turkey meat are principally used as (1) a substitute for pork in processed foods (turkey thigh meat), (2) for prepared barbecued wings sold by

vendors or at grocery / hypermarket stores, and (3) as an oven-baked meal for Thanksgiving and Christmas.

Domestic turkeys are sold fresh or chilled, while imported turkeys / turkey meat are sold frozen. As mentioned previously, turkey thigh meat is accepted by manufacturers as a pork substitute / filler in processed meat products. The trigger hog price that justifies using turkey thigh meat as a cost-down substitute for pork is reportedly around NT\$5,000 / 100 kg live weight. Recent pork prices have been high, with recent (June 2004) quotes averaging NT\$6,000 / 100kg live weight. This, combined with reasonable FOB prices for turkey, has rallied demand for turkey as a meat-filler in Taiwan's food processing industry. Imports of frozen turkey meat are expected to rise another 15% next year and, with steady producer prices, should remain at these historically high levels.

Trade

As with chicken meat, turkey imports into Taiwan must arrive from countries certified by Taiwan authorities as free of both ND and HPAI. As noted elsewhere, the countries with such certification include the US, Canada, Australia, New Zealand, and Sweden. The United States is expected again to be the only registered exporter of turkeys to Taiwan during 2002 and 2003.

Tables 10 & 11. Imports & Exports of Turkey Meat (in 1,000 metric tons)

Import Trade Matrix				Export Trade Matrix			
Country	Taiwan			Country	Taiwan		
Commodity	Poultry, Meat, Turkey			Commodity	Poultry, Meat, Turkey		
Time Period	2002-2003	Units:	mt	Time Period	2002-2003	Units:	mt
Imports for:	2002		2003	Exports for:	2002		2003
U.S.	10.9	U.S.	16	U.S.	0	U.S.	0
Others		Others		Others		Others	
Canada	0		0.1		0		0
Total for Others	0		0.1	Total for Others	0		0
Others not Listed	0		0	Others not Listed	0		0
Grand Total	10.9		16.1	Grand Total	0		0

Marketing

Efforts to increase turkey meat sales at the retail level continue to be dogged by consumer lack of understanding of meat characteristics / qualities and poor product availability in retail outlets (grocery stores, hypermarkets, traditional markets). Turkey meat in sausages is typically used "covertly", with either no mention at all on the packaging (aside from the small-print ingredient label) or simply a statement that the sausages are lower in fat.

Turkey lacks a foundation in the Chinese universe of ingredients and thus does not find a ready home in dishes such as stir-fries and soups. The Chinese chef, whether in the home or in a restaurant, is typically not innovative and would be unwilling on his/her own to substitute turkey meat in, for example, a stir-fry that calls for chicken. Appropriate consumer education and promotion should help pique interest and salve concerns regarding substituting turkey for other poultry meats in popular dishes. The market for turkey in Western dishes represents a small niche market comprised primarily of 4- and 5-star hotels and a few restaurants in Taipei, Taichung, and Kaohsiung.

Duck

Three-thousand years of duck rearing history in China bequeath to Taiwanese a well-founded fondness for duck meat and eggs. The distinctive dishes in which duck products are served give duck meat and eggs a market categorization distinct from other poultry meats and products.

Production and consumption of duck is expected to remain stable during 2004 and 2005 (at around 64,000 mt), due to the lack of growth in the food service industry. In terms of domestic production, ducks raised in Taiwan for meat production are principally of the variety *tufanya* (80%), with the remainder divided roughly evenly between *fanya* and *beijingya* (Peking duck) breeds. Layers are almost exclusively of the *chensecai* variety.

In recent history, the duck farming and processing industry in Taiwan was heavily export-oriented, with exports of meat, eggs, and feathers targeting consumers in Japan and Southeast Asia. The entry of China as a low cost duck meat / products exporter has pared down export markets for Taiwan ducks significantly. The entry of both China and Taiwan into the WTO is expected to cut further into the margins of local producers margins and, eventually, entice international sales into this market. Industry experts anticipate that high-quality US producers will pose the most effective challenge to domestic ducks. China and Thailand offer strong price competition - although current sanitary restrictions rule out importation from either country.

The current tariff for duck meat (whole) is 35%. Only the previously mentioned countries recognized by Taiwan as free from ND and HPAI are permitted to export duck meat to Taiwan. No duck meat is expected to be imported into Taiwan during 2004 or 2005 due to flavor expectations among consumers (Taiwan-raised, freshly-slaughtered), conservative supplier - buyer relationships, and little market growth in this category.

GEESE

As late as the 1980s, geese were generally raised as a sideline to a main farm business, such as fish or vegetable farming. As such, the industry remains in the early stages of development as a production-scale industry. Taiwan breeds are largely descended from varieties including White Roman & Embden (imported initially from Denmark during the 1970s and 80s) and Toulouse, African, and White Chinese (imported during the 1980s from the US).

During 2004, Taiwan is expected to produce about 25,000 mt of goose meat. Most goose meat is sold as a ready-to-eat product in small local restaurants. Although goose meat imports are permitted, no imports have occurred in recent years nor are they expected in the near future. Similarly, Taiwan is not expected to export any goose meat during 2004 or 2005.

EGGS

Production

Table 12. Production, Supply, and Demand Table: Chicken Eggs (in million pcs.)

PSD Table							
Country Commodity	Taiwan		Poultry, Eggs		(MIL HEAD)(MIL PCS)		UOM
	2003	Revised	2004	Estimate	2005	Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin	01/2003		01/2004		01/2005		MM/YYYY
Layers	0	34	0	34	0	33	(MIL HEAD)
Beginning Stocks	1500	1200	1200	1200	1100	1100	(MIL PCS)
Production	7100	7496	7200	7600	0	7700	(MIL PCS)
Hatch Eggs, Imports	0	0	0	0	0	0	(MIL PCS)
Shell Eggs, Imports	0	0	0	0	0	0	(MIL PCS)
Other Imports	8	5	8	5	0	6	(MIL PCS)
Intra EC Imports	0	0	0	0	0	0	(MIL PCS)
TOTAL Imports	8	5	8	5	0	6	(MIL PCS)
TOTAL SUPPLY	8608	8701	8408	8805	1100	8806	(MIL PCS)
Hatch Eggs, Exports	0	0	0	0	0	0	(MIL PCS)
Shell Eggs, Exports	1	1	1	1	0	1	(MIL PCS)
Other Exports	6	6	6	6	0	6	(MIL PCS)
Intra EC Exports	0	0	0	0	0	0	(MIL PCS)
TOTAL Exports	7	7	7	7	0	7	(MIL PCS)
Hatch Eggs, Consumption	0	0	0	0	0	0	(MIL PCS)
Shell Eggs, Human	6701	6794	6601	6998	0	6999	(MIL PCS)
Shell Eggs, OT, Use/Loss	200	200	200	200	0	200	(MIL PCS)
Other Dom. Consumption	500	500	500	500	0	500	(MIL PCS)
Total Dom. Consumption	7401	7494	7301	7698	0	7699	(MIL PCS)
TOTAL Use	7408	7501	7308	7705	0	7706	(MIL PCS)
Ending Stocks	1200	1200	1100	1100	0	1100	(MIL PCS)
TOTAL DISTRIBUTION	8608	8701	8408	8805	0	8806	(MIL PCS)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(MIL PCS)

Poultry eggs include hen and duck eggs. Egg production was 7.5 billion pieces in 2003 and the market found a certain level of stability, which is holding prices at levels about 20% higher than the lows hit in recent years. In-shell eggs supply three-quarters of demand. Producers are continuing to make strides in automated production, washing, and sorting, although a majority (64%, 2003 estimate) of chicken eggs continue to be sold unsorted and unpackaged. Industry plans to construct one or more powdered egg processing plants to help channel excess supply out of the immediate market have been announced, although no specific funding has yet been allocated. Such processing capability could do much to help reduce the impact of overproduction, which promises to continue to dog this market.

Nearly the entirety of duck egg production is consumed as salty and alkalized (1,000 year-old) eggs. As both are traditional foods, demand from year to year is largely stable - at around 540 million pieces.

Duck layers number approximately 3 million, while hen layers number around 35 million.

Price

Chicken egg production costs are estimated at NT\$20 per kg, with the industry considered profitable when farm gate prices are higher than NT\$26 per kg. 2004 is anticipated to realize an average increase in farm gate prices of around 8%.

Table 13. Farm Gate Prices for Chicken Eggs

Country	Taiwan		
Commodity	Poultry, Eggs		
Prices in	NT dollars	per uom	kg.
Year	2003	2004	% Change
Jan	29.87	32.81	10%
Feb	30.17	27.98	-7%
Mar	26.67	30.59	15%
Apr	28.78	27.82	-3%
May	23.68	24.73	4%
Jun	22.58	25.09	11%
Jul	23.72	26.83	13%
Aug	29.93		-100%
Sep	24.46		-100%
Oct	26.11		-100%
Nov	26.58		-100%
Dec	29.91		-100%
Exchange Rate	33.8	Local Currency/US \$	
Date of Quote	09/17/2004	MM/DD/YYYY	

Consumption

Egg consumption is around 338 eggs per capita, reportedly the third highest in the world – after Japan and Hong Kong. Most chicken eggs are destined for table use and sold through traditional or grocery stores, prepared in restaurants, or retailed as stewed or tea-marinated eggs. Approximately 5% of all domestic chicken eggs are processed into liquid and powdered eggs. Currently Taiwan has no regulation requiring pasteurization of liquid eggs and so production is scattered amongst small-scale producers recovering the whites and yolks of broken whole eggs. Statistics record an uptick in powdered egg production due to government and industry-inspired efforts to provide price supports for fresh eggs. There remains little trade, either local or international in liquid or powdered eggs as most downstream product manufacturers and consumers request whole eggs.

Egg Products: Nearly all duck eggs are consumed as salty and 1,000 year-old eggs. The small volume of out-of-shell chicken egg products consumed include liquid eggs and powdered eggs.

Marketing

Four of every 5 eggs retailed to consumers are sold by farms to traditional markets and retail outlets in 12 kg trays. Consumers purchase by weight or by number based on individual retailer practice. Traditional market vendors typically sell by weight, while local convenience store chains and some local grocers sell by number. The remaining retail eggs are packaged in 10-piece cartons and distributed principally through supermarket and hypermarket chains.